

"Strategic Thinking in USAID: Shaping Our Future"
February 10 and 11, 2003 Workshop

Synthesis and Next Steps

Forty senior USAID professionals met for two days to discuss how USAID can best meet the crucial foreign assistance challenges before it. USAID's past, present and future were discussed candidly as workshop participants reviewed important "influences" affecting USAID's policies and programs. These influences included the Natsios Report, "Foreign Assistance in the National Interest," the National Security Strategy, the Monterrey consensus and the MCA, several other policy oriented studies, and the FAA. Key ideas in these documents were identified and their strategic implications for USAID were considered, including what to incorporate into the five year strategic plan now being forged by State and USAID.

The attendees participated vigorously in the workshop. They were gratified to be part of a serious, agency wide effort to identify key challenges impacting USAID's future and to help develop policies to guide USAID's response to them. They enthusiastically encouraged USAID management to shape a new mission and core policy statement quickly to maximize USAID's effectiveness in the near and long terms. A synthesis of the work of the attendees follows:

I. The Challenge:

Major foreign policy and development needs are pressing in on the United States from all sides, but key U.S. policy makers and opinion leaders do not believe that USAID addresses them decisively or effectively, or perhaps more importantly, is even capable of doing so. This perception decreases USAID's opportunity to engage in key foreign assistance activities of the United States, eroding its position within the foreign assistance constellation--substantively, budgetarily, and operationally. If the Agency fails now to demonstrate the thinking and operational capability to meet the challenges and opportunities identified in the Natsios Report, and the national security role envisioned in

the NSS for foreign assistance, USAID will become increasingly irrelevant.

Foreign assistance is identified now as a crucial element of the U.S. national security strategy; U.S. funding of foreign assistance is rising dramatically as a consequence. After 9/11, the security environment elevated the importance of foreign assistance, an importance accelerated by the security concerns associated with weak states, as well as growing humanitarian concerns, especially the impact of the HIV/AIDS pandemic. However, despite these looming concerns and USAID's experience in addressing them, both Steve Radelet and David Gordon made the point that USAID is no longer at the heart of foreign aid in the minds of most USG policy makers. USG agencies other than USAID and newly created management entities are increasingly being used to deal with countries and issues, and to control the requisite funding where central foreign assistance challenges are involved.

Why is this happening? A part of the answer is surely because the grave issues before the U.S. and the world require different approaches that cut across agency turf at the national level. But USAID is also being cut out because too many policy makers are convinced that it does not perform well—it lacks ideas, and is defensive, unresponsive and excessively bureaucratic. For a variety of reasons, pointed out by Radalet, policymakers are unable to determine what USAID does and does not do well. Saddled in the past by Congress and others with doing everything and then hobbled as to how it must operate, USAID is bogged down in ways that undermine its performance, make it difficult to demonstrate success in the face of often indeterminate or conflicting objectives. For its part, USAID has often done a poor job in delivering a compelling and coherent "message" to Administration policymakers, the Congress, and the public.

II. The Opportunity:

The broad environment in terms of support for foreign assistance from key policymakers has created an extraordinary opportunity for USAID. The Agency is now at a "defining moment" during which it can dramatically and positively shape its future contributions to U.S. foreign assistance objectives.

As the February 2nd *Washington Post* "Tough Love" editorial concluded, to realize this opportunity, we will "have to carry out what amounts to a revolution in thinking about aid in general and USAID in particular."

The die is cast. This President and his administration place major emphasis on allocating foreign aid based on performance, past and present. Monterrey principles and the emerging MCA are concrete examples. White House attention to critical challenges such as HIV/AIDS, extremism in the Muslim world and elsewhere, famine and emergencies is apparent. War on terrorism and against rogue states is clearly part of the future. Failing states and conflict abound in many parts of the globe. And, while official development assistance from the U.S. is increasing, private financial flows comprise a growing portion of the U.S. resources going to transitional countries and the developing world.

The U.S. Government, at the highest level, is seized with this mix of issues and problems daily. Policymakers are looking for capable organizations to address these concerns in productive, decisive, successful ways. USAID must fashion core policies, strategies and approaches to this mix of issues and problems, and demonstrate solid performance in taking them on. Only in this way will the Agency be able to grasp the opportunity to contribute to key foreign assistance objectives and ensure its own future.

Workshop participants agreed that creation of a comprehensive mission and core policy statement is needed in addition to the joint State/USAID Strategic Plan now under development. This plan, while providing a strategic framework tying USAID's work to the State Departments broad foreign policy objectives, is not sufficient to articulate the vision, priorities and approaches that are needed by USAID for the future.

The Agency's mission and core policy statement - to be developed initially in a white paper" -- would assimilate the various influences considered during the workshop, and then answer the key strategic questions:

- ◆ What does USAID do best, and should therefore focus on?
- ◆ What can USAID explicitly eliminate from its portfolio?

- ◆ How can USAID work more effectively within the US interagency to contribute to a broader range of foreign assistance objectives led by other U.S. agencies?

A compelling mission and core policy statement would allow USAID to provide leadership across the U.S. Government in shaping *development-related* foreign assistance activities, while identifying when and how the Agency should support other foreign policy objectives. The results of this initiative will inform the final State/USAID Strategic Plan, and provide valuable input for any possible Congressional attempts to rewrite the FAA.

III. Mission and core policy

At the event, AA/PPC Patrick Cronin articulated key parameters of USAID's core policy/mission statement in his identification of a possible new typology of the developing world:

- 1) MCA recipient countries
- 2) Non-MCA countries
 - MCA "near misses" and longer-term good performers
- 3) Poor performers,
 - a. Stable, but poor commitment to development
 - b. Failing, including those in conflict
 - c. Failed, including post-conflict
- 4) States of strategic national security interest

In the following elaboration of this typology, USAID's core business would focus primarily on categories 2 and 3; however, USAID would continue to carry out limited but important support efforts to both MCA and strategic foreign policy objectives. The process of developing a new mission and core policy statement should develop and deepen consensus on this typology and its implications for USAID operations.

- 1) *Support to MCC functions.*

USAID would support the Millennium Challenge Corporation (MCC) as it arises, and consider MCC requests to provide

limited assistance with MCA countries. USAID Missions in most, if not all MCA countries would be phased out. In close-out countries, limited USAID staff could remain in the Embassy, as is the case in certain advanced developing countries such as Brazil.

2) *"MCA near-misses and longer-term good performers --* In MCA "near-miss" or tier-two countries, USAID would concentrate its support heavily on specific criteria areas needed to move the nation into MCA eligibility. Exceptions to these criteria would be limited to addressing transnational issues such as the HIV/AIDS pandemic, regional trade, and certain environmental matters like watershed planning and management.

In countries outside of the MCA tier-two grouping, USAID's *development* efforts would concentrate on good performers, identified by MCA criteria that are further from near-term MCA inclusion. USAID assistance will focus on achieving performance in specific aspects of development, especially economic growth; USAID would be held accountable accordingly. This group will constitute the heart of USAID's *development* work. The "development" case for each country, including a time frame, will have to be made and then measured. Critical, and often cross cutting themes such as governance and institutional reform would be emphasized. The principal prism to view USAID performance in these countries would be movement toward higher MCA indicator scores in the targeted areas where USAID is at work.

Within this group of countries, allocation of USAID resources would be guided first by country and then by sector. The partnership principles of the Monterrey Consensus will be applied as much as possible. USAID may not be able to assist all countries in this category, and the Agency must be able to scale-back or even halt efforts in particular sectors or with countries altogether if host country commitment lags and progress is ephemeral.

3) *Poor Performers would generally **not** constitute a core part of USAID's development business.*

Stable or non-strategic poor performers where the commitment to reform is demonstrably missing will face

limited or no USAID assistance. This "tough love" approach is necessary both to comply with the principles of the Monterrey Consensus and to free-up limited U.S. resources for countries demonstrating the commitment to lead their own development. Poor performers may, however, receive humanitarian assistance should the need occur, as well as programming limited to addressing transnational issues such as the HIV/AIDS pandemic and certain environmental matters.

Failing, failed and conflict states are a new and selective part of USAID's core business. However, USAID must develop a new business model to deal with failed and failing states to enable adequate responses in terms of flexibility, skills and timeliness, and to develop new models for preventing the slide into conflict where possible. The use of modalities that do not depend upon the typical bilateral approach, such as use of multilateral partners or foundations will be explored. In any event, DCHA's current work to strategically link its OFDA, OTI, food and conflict elements will be critical to this new approach. In these countries, USAID will diminish inherent risks and help ensure successful *non-development related* performance. Post-conflict reconstruction in countries like Bosnia and Afghanistan will also be central to these efforts, laying the groundwork for graduating such countries into the longer-term developmental category.

Humanitarian interventions remain a core part of USAID's business.

USAID deals with humanitarian needs effectively both in terms of responding to natural disasters - floods, earthquakes, and famines - and to complex emergencies often brought about by conflict. In recent years, the resources allocated to the latter have far exceeded the former. In both cases, USAID must do more to lessen if not prevent the need for humanitarian assistance.

4) *States of strategic national security interest that involve foreign assistance are associated with, but not a part of, USAID's core business:*

These "political" high risk, and generally non-developmentally oriented challenges will continue to arise, frequently involving U.S. allies in conflicts involving terrorism and rogue states. Policymakers must treat this category of countries as a distinct class of assistance and, as much as feasible, such efforts should be funded

with ESF or other non-development assistance. However, when tapped and in concert with other US agencies and other donors, USAID will work quickly, flexibly, and effectively to achieve overall U.S. Government objectives. States in this category will be a prime focus of new ways of doing business.

IV. Strategy

USAID will move quickly to flesh-out the mission and core policy framework. To do this PPC will form and lead an intra-agency team to fully articulate a mission and core policy statement, or "white paper," as the overarching vision for future USAID efforts. It must be completed quickly. Even while this effort is underway, USAID must take steps to demonstrate that a revolution in thinking about foreign assistance is occurring *within* the Agency, and not primarily outside it.

This new thinking must be immediately reflected in the joint State-USAID strategic plan currently being drafted. The introduction to the strategic plan by the USAID Administrator provides an opportunity to highlight the change. Near-term USAID testimony on Capitol Hill and speeches by USAID officials to other audiences likewise must include aspects of this thinking. These ideas would be included in, and drawn from a variety of sources, including PPC's "Revolution in Development Assistance" paper, the Agency's MCA working group, and DCHA's conflict, and failing/failed states strategies. The ideas would be introduced initially to key legislators and Hill staff not only through testimonies, but via informal conversations by LPA and other USAID officials. Interagency discussions should be started soon and utilize the NSC Development PCC as a forum. Consultations with non-governmental stakeholders will be undertaken to inform the drafting of the mission and core policy statement.

USAID will develop an internal USAID strategy and plan to implement the mission and core policy statement. This will involve agreement on any needed management flexibility, realignment of staff, new operational procedures, and changes in the budget. It will also include development of the communication strategy to support the core policies. The attendees at the conference suggested this strategy be embodied in a *campaign for leadership (of the mission and*

core policy agenda) within the US Government and donor community. This leadership campaign, designed to dispel current perceptions of USAID weakness, would promulgate the mission and core policy agenda and key elements of USAID's internal strategy to implement it. The campaign, for example, would present USAID's new substantive ideas, showcase its standards of performance, facilitate its requests for new authorizations if needed, and support realignment of staff on the Hill and elsewhere as appropriate. It would hold USAID out as a sound strategic partner in the interagency process able and willing to work productively on key foreign assistance issues of this time. It would illustrate USAID's new ways of doing business externally where required. Most importantly, it would engage USAID in showing how aid and USAID's programs work in these areas. It would include a concerted communication campaign, especially with the Hill but also with the public, to support all aspects of USAID's agenda and role in foreign assistance. This would include developing a strategy with LPA to influence the shape of future legislation on foreign aid.

USAID would analyze changes in the 150 account and work to reorient its budgeting process as needed to support fully its mission and core policy and ensure it meets its mission and core policy performance standards.

V. Next Steps

Work quickly to complete a mission and core policy statement. This effort will involve articulating and expanding the mission and core policy framework as outlined. The statement would be developed as an Agency "white paper" by a PPC-led intra-agency working group, with select seminar participants, RDA and MCA-working group members at its core.

As part of this group's work, PPC will assist the process by conducting several internal "policy/strategy" discussions involving all parts of USAID, including the field, to consider key aspects of the white paper. Examining both what has worked and what has not is critical to USAID's credibility. The goal of this effort will be to convincingly explain what USAID does best through its current development models, where new models are warranted

to meet new challenges, and when USAID does not or can not develop a comparative advantage.

The target date for a draft mission and core policy statement is April 15, 2003.

*Begin to incorporate key mission and core policy ideas into USAID's day to day business--in the Administrator's testimony and that of other Agency officials, in speeches to other audiences, in informal discussions with legislators and Hill staff, OMB staff, and other USAID decision making meetings and processes. Mesh the work of the MCA committee with the work of the RDA team, speed up production of the DCHA failing/failed states strategy, and work to develop a strategy for influencing the shape of future legislation on foreign assistance. **Immediate.***

*Factor the substantive elements of the mission and core policy statement into the joint State-USAID strategic plan framework (so the core policies become embodied in the strategic framework to the degree possible). USAID will conduct discussions of the strategic plan, including a joint State-USAID workshop oriented to external stakeholders in OMB, the Hill, think-tanks and constituent groups such as ACVFA, SID, and INTERACTION. **Target date for incorporation of key elements of the mission and core policy statement into the strategic pan framework is May 15, 2003.***

*Develop the internal USAID strategy, plan, proposed changes in 150 account and budgeting process to implement the core policies. This will involve development of the leadership campaign and of plans for any needed realignment of staff, new sectoral/cross-sectoral strategies and operational procedures. Changes required in the current 150 account and budgeting process will be proposed to enable the USG to appropriately respond to current and future conditions in the developing world. This phase will also include development of LPA's communication strategy to support explanation and dissemination of the mission and core policy statement. **Target date for completion is September 30, 2003.***